

**REQUEST FOR QUALIFICATIONS  
for  
UNDERWRITING SERVICES & INTEREST RATE SWAP PROVIDERS**

**Relating to  
VARIOUS OBLIGATIONS TO BE ISSUED BY OR ON BEHALF OF THE  
CITY OF READING, PENNSYLVANIA**

**RESPONSES DUE:  
4:00 PM (Eastern Time)  
TUESDAY, JUNE 6, 2006**

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**I. Introduction.** This Request for Qualifications (**the “RFQ”**) is an **informal** open solicitation for investment banking firms to assist City of Reading, Pennsylvania (**the “City”**) in connection with specific future financing activities. The City seeks to review the qualifications of underwriters who wish to assist the City in the structuring, issuance and sale of its various obligations to finance various sewer expansion/renovation and/or replacement of current City systems (collectively the “Sewer Projects”). The RFQ is also an **informal** open solicitation for swap providers to assist the City in entering into certain interest rate swap(s) in connection with the issuance of debt for the Sewer Projects if the City so desires.

**The intended purpose of this RFQ is to establish a list of qualified firms to provide underwriting services to the City. Firms selected by the City for inclusion in this group may have the opportunity to serve as senior (book running) manager and/or co-manager on the City transactions in connection with the Sewer Projects. The purpose of this RFQ is also to establish a list of qualified swap providers that may serve as a counterparty to the City in connection with any interest rate swap that may be executed by the City in connection with the financing(s) of the Sewer Projects.**

**Your firm may serve as an underwriter and a swap provider to the City in connection with the City’s Sewer Projects. However, by the City soliciting responses to this RFQ DOES NOT assure that any transaction (bonds or swap) will be completed.**

While the City may consider a negotiated sale for its various obligations to the selected group of underwriter(s) and/or swap provider(s), it reserves the right to sell the obligations by competitive sale(s) at any time (both debt & swaps), before or after the selection of underwriters and swap providers might be made.

The City may from time to time seek ideas, advice and proposals from selected group members. Neither the inclusion in the group nor providing ideas, advice and proposals offer any assurance that any firm will be selected to underwrite bonds or be selected as a swap provider to the City.

**The City will not discriminate against any employee or applicant for employment because of race, religion, color, sex, age, disability or national origin or any other basis prohibited by federal and state law related to discrimination in employment.**

**A. Clarification Of Specifications.** If additional information is necessary to interpret the requirements of this RFQ, questions should be submitted in writing **no later than Wednesday, May 17, 2006**, and directed to [ryan.hottenstein@readingpa.org](mailto:ryan.hottenstein@readingpa.org).

**B. Bond Counsel, Legal Opinions And Legal Questions.** The customary legal opinions with respect to state law, federal tax law, and the legality of the transaction will be rendered for all transactions by a qualified Bond/Swap Counsel firm to be determined by the City.

**C. Underwriter’s Counsel.** The necessity for underwriter’s counsel, the fees to be paid to underwriter’s counsel, and the choice of underwriter’s counsel are basically the determination of the underwriter, however, the City will require that it be consulted about the choice of underwriter’s counsel. The characteristics that the City looks for in underwriter’s counsel include:

- Demonstrated knowledge of Pennsylvania public finance law and applicable federal tax law.
- Knowledge of Pennsylvania bond issuance and disclosure procedures.
- Located in Pennsylvania or willing to travel without charge to meetings in Pennsylvania.

Such a preference will not be taken into consideration in the evaluation of underwriter qualifications.

**D. Underwriter Group.** The result of this RFQ may be the establishment of a group of qualified underwriters. This group of qualified underwriters may be used for designating underwriting syndicates for a period extending through the completion of the Sewer Projects. The City may designate more than one senior managing underwriter for each underwriting syndicate selected. On an issue-by-issue basis, the City may designate different or “rotating” bookrunning senior managers. As part of selecting the underwriting syndicates, the City may also appoint co-managers and selling group members.

**E. Swap Provider Group.** The result of this RFQ may be the establishment of a group of qualified swap providers. This group of qualified swap providers may be used for designating swap provider groups for a period extending through the completion of the Sewer Projects. The City may designate more than one swap provider in connection with the Sewer Projects. On an issue-by-issue basis, the City may designate different or “rotating” swap provider(s).

**F. Evaluation Of Performance.** The City and its Financial & Swap Advisor (Financial S&Lutions LLC) will conduct a post-financing evaluation of the performance of senior managers, co-managers and selling group members after each transaction (if such a transaction is completed). The City and its Financial & Swap Advisor (Financial S&Lutions LLC) will also conduct a post financing evaluation of the performance of the swap provider(s) if any derivative product(s) was utilized in connection with the financing of the Sewer Projects.

**G. Removal From And Additions To The Group.** Any underwriter or swap provider may be removed or suspended from the group for reasons which include, but are not limited to, the following:

- Unacceptable performance in any bond sale or interest rate swap as determined by the City;
- A conflicting relationship exists or occurs;
- Filing for protections under Federal or State bankruptcy laws; and
- Being the subject of criminal action.

The City may also make additions and/or subtractions to the underwriting group, the selling group and/or swap provider group at its discretion.

## **II. Scope Of Services.**

**A. Senior Manager(s).** The scope of services to be provided by the senior managers will include, but not be limited to, the following:

- Develop and evaluate financing alternatives working with the City and its Financial/Swap Advisor – Financial Solutions LLC.
- Assist in the preparation of official statements and legal documentation.
- Manage an underwriting syndicate selected by the City to market the debt obligation.
- Follow the City's policies, either oral or written, for liability, pricing procedures and the process of selling debt obligations.
- Assist the City in the successful structuring, marketing and sale of debt obligations to achieve the lowest overall borrowing cost.

**B. Co-Manager(s).** The scope of services to be provided by co-managers will include, but not to be limited to, the following:

- Participate, if requested, in informational and due diligence meetings.
- Assist the City in the successful marketing and sale of debt obligations to achieve the lowest overall borrowing cost.
- Follow the City's policies, either oral or written, for liability, pricing procedures and the process of selling debt obligations.

## **III. Guidelines For The Statement Of Qualifications.**

### **Minimum Qualifications (Underwriting Services)**

- The firm must hold and maintain at all times all licenses and registrations required by applicable federal and state laws for businesses offering underwriting or investment banking services. All licenses and registrations must be current and in good standing with each of the following:
- U.S. Securities and Exchange Commission (SEC);
- National Association of Securities Dealers (NASD).

### **Minimum Qualifications (Swap Provider)**

- The firm must maintain at the necessary counterparty credit ratings required by the Local Government Unit Debt Act for businesses offering swap provider services. The swap provider will also demonstrate its experience of providing swap counterparty services in Pennsylvania to similar credit and size of the City of Reading, Pennsylvania.

## **UNDERWRITER RESPONSES (respond also to “C”)**

### **IV. Content of Responses. *Joint Responses Will Not Be Accepted.***

A cover letter that includes a brief executive summary will be appreciated (two page limit). The cover letter should also include a representation that the individual signing the response to this RFQ has the authority to commit his or her firm to the terms submitted.

**Underwriting Services.** The response to this section is subject to a **10-page limit**. Failure to meet the page limit requirements will be a consideration in the evaluation of your submittal.

**A.** Responses of firms interesting in providing underwriting services should contain the following information:

- 1) Name and address of firm submitting this response.
- 2) Name and phone number of banker or bankers preparing this response who may be contacted in the event of questions or notification.
- 3) Name and phone number of the underwriter(s), traders, and short-term dealers who will be responsible for marketing any issue.
- 4) Location of office at which the services to be provided hereunder will be performed.
- 5) Provide the following information concerning distribution capabilities:
  - a. Number of professionals (analyst level or above)
  - b. Number of retail salespeople (nationwide and in Pennsylvania)
  - c. Number of retail municipal bond salespeople (nationwide and in Pennsylvania)
  - d. Number of institutional municipal bond salespeople
  - e. Number of taxable municipal bond salespeople
  - f. Indicate whether your firm maintains a separate and distinct taxable municipal group
- 6) Provide your firms expertise in selling and distributing fixed rate bonds, variable rate demand bonds and auction rate securities
  - a. Assume that the City will be issuing variable rate securities; what are the pros and cons of variable rate demand bonds vs. auction rate securities; which would your firm recommend to the City and why?

- 7) Provide in attachments the following:
- a. Your bond underwriting (both negotiated and competitive) activity for calendar years 2004, 2005 and 2006 for selected Pennsylvania issuers. Do not include responses to this question within the page limits. For each transaction listed, show the following:
    - i. Name, dated date, and par amount of the issue
    - ii. Negotiated or competitive sale of the bonds
    - iii. Role your firm played in the transaction
    - iv. The amount of underwriting liability and the amount of bonds sold by your firm at the initial offering price
- 8) Describe the analytic capabilities of the firm and assigned individuals
- 9) Provide a brief summary identifying the individuals in charge of day-to-day management on the City's account:
- a. investment banker responsible for the response/subsequent engagement(s)
  - b. underwriter, trader, and/or short-term dealer who would be responsible for the marketing and/or placement of the obligations
  - c. individual(s) responsible for the analytical work related to the Sewer Projects or other issues requiring analytical work
- 10) List four public finance references, including name, address, telephone number, and type of financing(s) completed for these clients during the past year, preferably for comparable issuers
- 11) For 2004, 2005 and 2006 indicate your firm's capital, total capital, equity capital, net capital and uncommitted (excess net) capital.
- 12) Responses to this RFQ must include the following certifications:
- a. CERTIFICATION OF NO CONFLICTING RELATIONSHIP. The underwriter shall certify in writing that it maintains no relationships, which would constitute a conflict of interest in its selection to serve the City. The underwriter shall also certify that no relationship exists which interferes with fair competition with respect to its submittal.
  - b. STATEMENT REGARDING CRIMINAL ACTIONS. Provide a statement as to the status of any pending or resolved criminal actions under federal law or by any state against your firm or registered principals of the firm (relating to the business of your firm) within the three years preceding the date of your submittal.

## SWAP PROVIDER RESPONSES (respond also to “D”)

**Swap Provider Services.** The response to this section is subject to a **8-page limit**. Failure to meet the page limit requirements will be a consideration in the evaluation of your submittal.

- B.** Responses of firms interesting in swap provider services should contain the following information:
- 1) Name and address of firm submitting this response.
  - 2) Name and phone number of banker or bankers preparing this response who may be contacted in the event of questions or notification.
  - 3) Name and phone number of the bankers(s) or traders who will be responsible for providing a swap to the City in connection with any issue.
  - 4) Location of office at which the services to be provided hereunder will be performed.
  - 5) Provide in attachments the following:
    - a. Your swap provider (both negotiated and competitive) activity for calendar years 2004, 2005 and 2006 for selected Pennsylvania issuers. Do not include responses to this question within the page limits. For each transaction listed, show the following:
      - i. Name, dated date, and par amount of the swap
      - ii. Negotiated or competitive sale of the swap
      - iii. Role your firm played in the transaction
  - 6) Provide a brief summary identifying the individuals in charge of day-to-day management of the City’s account:
    - a. banker or trader responsible for the response/subsequent engagement(s)
    - b. individual(s) responsible for the analytical work related to providing a swap for the City or other issues requiring analytical work
  - 7) List four public finance references, including name, address, telephone number, and type of swap(s) completed for these clients during the past year, preferably for comparable issuers
  - 8) Responses to this RFQ must include the following certifications:

- a. CERTIFICATION OF NO CONFLICTING RELATIONSHIP. The swap provider shall certify in writing that it maintains no relationships, which would constitute a conflict of interest in its selection to serve the City. The swap provider shall also certify that no relationship exists which interferes with fair competition with respect to its submittal.
- b. STATEMENT REGARDING CRIMINAL ACTIONS. Provide a statement as to the status of any pending or resolved criminal actions under federal law or by any state against your firm or registered principals of the firm (relating to the business of your firm) within the three years preceding the date of your submittal.

**Approach And Philosophy.** The response to this section is subject to a **10-page limit**. Failure to meet the page limits requirements will be a consideration in the evaluation of your submittal.

**C.** Firms should respond to the following questions as part of their submittal in connection with **Underwriting Services:**

1) Disciplinary Action & Litigation

- a. Please describe in depth any investigation of or action against your firm, any of its principals or any of the assigned individuals by the SEC, NASD, NYSE, Municipal Securities Rulemaking Board (MSRB), Internal Revenue Service (IRS), or any other federal, state or local governmental, prosecutorial or securities-industry based regulatory agencies that was commenced, ongoing or concluded at any time within the last 3 years. This includes any actions resulting in a settlement payment of civil fines or penalties and payments into restitution funds.
- b. Please describe any litigation, arbitration, disciplinary or other official actions against your firm, any of its principals or any of the assigned individuals arising from the firm's underwriting, underwriting practices or management, or the purchase, sale or distribution of taxable or tax-exempt municipal securities or other governmental obligations (other than individual retail customer claims) that was commenced, ongoing or concluded at any time within the last 3 years.
- c. Please describe any litigation, arbitration, disciplinary or other official actions arising from any other business of the firm for the last 3 years.
- d. Has your firm ever filed for protection under federal or state bankruptcy laws?

2) Describe generally your firm's experience underwriting bonds issued in Pennsylvania. Does bond issuance in Pennsylvania present any unique challenges or opportunities?



- 3) Describe briefly three occasions in which your firm creatively solved a problem for a client similar to the City. Was your solution implemented? What was the outcome?
- 4) Describe briefly your firm's experience with the following:
  - a. Enhancing existing credit structures;
  - b. Originating financing programs for water and sewer systems; and
- 5) Describe how you believe an underwriter should be compensated for bringing creative ideas to the issuer.
- 6) Describe generally the firm's approach to serving as the lead manager on a transaction. Include discussions of marketing strategies, preliminary pricing determination, and coordination with co-managers, etc.
- 7) Describe your firm's perspective on the role of co-manager in a transaction. What should the issuer's expectations be of its co-managers? Describe a situation in which your firm added value to a transaction (structuring assistance, marketing efforts, underwriting levels, etc.) while serving as a co-manager.
- 8) How should co-managers be compensated? What designation policies does your firm recommend? Should issuer's set-aside bonds as a retention for co-managers? Why or why not?
- 9) From the perspective of distribution of the bonds, please describe your firm's perspective on the best way to sell bonds to achieve the lowest true interest cost (TIC).
- 10) Describe the firm's perspective on role of retail sales. How important is distribution to retail investors? What are the tools your firm recommends, if any, that issuers should use in order to enhance retail sales?
- 11) Should the City require the underwriting syndicate to take down unsold balances at the yields and spreads agreed to in the pre-pricing discussion the day before the pricing? Under what conditions should the City accept adjustments to yields and spreads prior to the syndicate underwriting unsold bonds?

**D. Firms should respond to the following questions as part of their submittal in connection with Swap Provider Services:**

- 1) Disciplinary Action & Litigation
  - a. Please describe any litigation, arbitration, disciplinary or other official actions arising from any other business of the firm for the last 3 years.
  - b. Has your firm ever filed for protection under federal or state bankruptcy laws?

- 2) Describe generally your firm's experience in providing swap counterparty services issued in Pennsylvania. Does swap provider services in Pennsylvania present any unique challenges or opportunities?
- 3) List your firm's current counterparty credit rating by the three nationally recognized rating agencies; Moody's, S&P and Fitch.
- 4) Describe briefly your firm's experience with the following:
  - a. Enhancing existing credit structures;
  - b. Originating swap structures and/or programs for revenue bonds; and
- 5) Describe how you believe a swap provider should be compensated for bringing creative ideas to the issuer.
- 6) Describe generally the firm's approach to serving as the lead swap provider on a transaction.
- 7) Swaps and Derivatives
  - a. Please discuss your firm's philosophy about the use of swaps and derivatives: when are they appropriate for consideration? What are the risks and how can they be mitigated? What types of related transactions should issuers of similar size and credit as the City not be involved with?
  - b. Please summarize your experience in structuring swaps, synthetic refundings, and other similar transactions.
  - c. Please describe any examples (limit to two) where you recommended and the issuer employed a swap or related product to address a specific hedge in connection with a variable rate or auction rate revenue bond. What was the swap structure and why was your solution the best for hedging purposes?
  - d. How should the City's counterparty in a swap or derivative transaction be selected?
  - e. Describe the terms and conditions that your firm may require of the City or if your firm would waive collateral posting requirements by the City if the City's long-term credit rating was downgraded below a certain level if the City were to obtain insurance in connection with swap payments of a certain swap (not termination payments).

## **V. General Conditions Of A Negotiated Sale**

- A. Disclosure By the City.** The City will provide to the underwriters and swap providers its customary disclosure and assurances in the general form of its Official Statements. While the City, its financial advisor, bond counsel and underwriter(s)

will assist in the preparation of the City's disclosure, the underwriters will be expected to provide review and comment on the disclosure/offering documents.

**B. Not A Contract.** The underwriters and/or swap providers designated as a result of this RFQ process may be expected to perform analyses of outstanding the City's bonds and to provide recommendations based on their experience. It is the expectation that the City will enter into negotiations with the selected underwriters aimed at selling the bonds to the underwriters. Nothing in this RFQ, the responses, or the City's acceptance of qualifications and designation of underwriters shall obligate the City to complete negotiations with the underwriters. The City will have the right to end negotiations and/or designate other underwriters at any time up to approval and execution of a Bond Purchase Agreement between the City and the underwriter(s), at which time the terms of the Bond Purchase Agreement will prevail for the transaction.

**C. Oral Interviews.** If necessary the City will conduct interviews, in person or by telephone. If needed, the City reserves the right to request clarifying information.

**VI. Conditions For Responses To RFQ.** As a condition of submitting a response pursuant to this RFQ, the following conditions are understood:

**A. Incurring Costs.** The City is not liable for any cost incurred by respondents in replying to this RFQ.

**B. Response Submission.** Responses must be **received BY 4:00 PM (Eastern Time) on Tuesday, June 6, 2006.**

**C. Selection.** The City is not obligated to select any underwriter(s) or swap provider(s) to work with the City in connection with the Sewer Projects as a result of a response to this RFQ.

**Six printed copies of your complete response must be submitted at the address on the front cover of this RFQ. Facsimile and e-mail transmissions are specifically disallowed and will not constitute a valid submission.**

**All information submitted is subject to the Pennsylvania Freedom of Information Act and may be subject to public disclosure.**

**LATE RESPONSES WILL NOT BE PART OF THE EVALUATION OF QUALIFICATIONS. THE CITY IS NOT RESPONSIBLE FOR ANY FAILED ATTEMPTS TO DELIVER.**

**ANY SELECTED UNDERWRITERS AND SWAP PROVIDERS MAY BE SUBJECT TO APPROVAL BY CITY COUNCIL**

**VII. Evaluation Criteria.** All responses to this RFQ will be reviewed and evaluated by members of the City's staff and the City's Financial/Swap Advisor (Financial S&Lutions LLC). The following areas will be reviewed in evaluating the qualifications included in your response:

**A. General Quality and Adequacy of Response**

- Responsiveness to Terms and Conditions
- Financial Capacity - (Swap Provider: necessary counterparty credit ratings)
- Distribution Strength

**B. Technical Ability & Qualifications**

- Demonstrated capability to provide required services (underwriting services and/or swap provider services)
- Analytical Ability
- Responses to Specific Questions Above

**C. Organization, Personnel & Experience**

- Underwriter and/or Swap Experience
- Pennsylvania Underwriting/Sales and/or Swap Provider Experience